

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act Projects to
Replace the Fort Buchanan Substation and Repair the
Roof and Exterior at the Army Reserve Center
Aguadilla, Puerto Rico

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

November 29, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act Projects to Replace the Fort Buchanan Substation and Repair the Roof and Exterior at the Army Reserve Center Aguadilla, Puerto Rico (Memorandum No. D-2011-RAM-006)

The DOD Office of Inspector General is performing audits of DOD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009 (Recovery Act). We selected two Army Reserve Recovery Act Projects located in Puerto Rico to review (see the Audit Methodology section).

- Project 74299 to repair the substation at Fort Buchanan. The design and build project will replace the existing 10 million volt-ampere (MVA) substation with a new 20 MVA substation capable of handling current and future loads. One of the two transformers will serve as a backup and will automatically switch on when the primary transformer is shut down for maintenance.
- Project 74649 to restore and modernize Army Reserve Center Aguadilla buildings 807 and 808. Restoration and modernization will include repairing walls, ceilings, bathrooms, the electrical system, air conditioning, and wiring; replacing pipes containing lead; removing asbestos; and installing a wet pipe fire suppression system.

Our audit objective in selecting the two projects was to determine whether:

- the projects were adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- the project funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding); and
- the project contracts contained the required Recovery Act Federal Acquisition Regulation (FAR) clauses (Initial Project Execution).

We determined that Projects 74299 and 74649 were justified and met the Recovery Act goals regarding accountability and transparency. Personnel at Fort Buchanan and the U.S. Army Corps of Engineers (USACE)-Louisville properly planned, funded, and contracted for the two projects in accordance with Recovery Act and Office of Management and Budget guidance.

PLANNING

We reviewed DD Form 1391, "Military Construction Project Data," and supporting cost documentation for Recovery Act Projects 74299 and 74649 at Fort Buchanan and determined that the projects were properly planned.

Project 74299 – The DD Form 1391 adequately explained the project justification, requirements, current state, and impact for renovating the substation and designing and building two new 20 MVA transformers. Fort Buchanan personnel stated that they used the RS Means Construction Cost Data Book and the USACE Infrastructure Capacity Analysis Study to prepare the cost estimates. USACE-Louisville personnel prepared, reviewed, and certified the \$10.1 million Independent Government Cost Estimate (IGCE)* on January 26, 2010. The contracting officer and members of the Source Selection Authority Board used a cost and price analysis to evaluate four contractors' price proposals and determined that the winning proposal was fair and reasonable and that there were no unbalanced line items.

Project 74649 – The DD Form 1391 explained the project justification, requirements, current state, and impact for restoring the roof and building exteriors for buildings 807 and 808 at the Army Reserve Center Aguadilla, Puerto Rico. Prime Engineering and Architecture, Inc. prepared a Full Facility Assessment Study of the Army Reserve Center for USACE-Louisville. Fort Buchanan personnel stated that they prepared the cost estimates on the DD Form 1391 using the RS Means Construction Cost Data Book and the Full Facility Assessment Study. USACE-Louisville personnel prepared, reviewed, and certified the \$6.37 million IGCE on February 24, 2010. The contracting officer and members of the Source Selection Authority Board evaluated five contractors' price proposals against the IGCE and comparable market prices from other contractors. They determined that the winning proposal was fair and reasonable and that there were no unbalanced line items.

FUNDING

The DOD Expenditure Plan for the American Recovery and Reinvestment Act of 2009 designated an Army Reserve fund project list that included Project 74299, valued at \$8.5 million, for replacing the substation at Fort Buchanan and Project 74649, valued at \$1.054 million, for roof and exterior repairs at the Army Reserve Center Aguadilla, Puerto Rico.

Project 74299 – On April 28, 2009, the Department of the Army, Fund Control Officer for the Assistant Secretary of the Army, issued Defense Finance Accounting Service Form 1323, "Funding Authorization Document," to the USACE Commander for Real Property Maintenance, totaling \$39 million in Operation and Maintenance Recovery Act funds. On May 7, 2009, the USACE Commander issued a Defense Finance Accounting Service Form 1323 to USACE-Louisville for Real Property Maintenance, totaling \$49.8 million. On March 11, 2010, the

* The terms Independent Government Cost Estimate and Independent Government Estimate are interchangeable. We used the term Independent Government Cost Estimate. See FAR Subpart 15.404-1.

USACE Commander issued an additional Defense Finance Accounting Service Form 1323 to the U.S. Army Engineer District authorizing USACE-Louisville to use \$3 million in bid savings from another Recovery Act project to fund the contract award for Project 74229 to replace the existing electrical substation at Fort Buchanan. The USACE Commander authorized USACE-Louisville to award a base contract and 3 option years at a cost of \$11.5 million.

Project 74649 – On March 26, 2010, the USACE Commander issued a Defense Finance Accounting Service Form 1323 to the U.S. Army Engineer District authorizing USACE-Louisville to redirect bid savings from another Recovery Act project to award the contract for Project 74649 to refurbish buildings 807 and 808 at the Army Reserve Center. The USACE Commander authorized USACE-Louisville to award the project in the amount of \$6.98 million.

CONTRACTING

We reviewed the solicitation and award for Recovery Act Projects 74299 and 74649 at Fort Buchanan and determined that USACE-Louisville contracting personnel properly solicited and awarded the contracts for Projects 74299 and 74629.

Project 74299 – On December 10, 2009, USACE-Louisville contracting personnel posted the presolicitation notice (W912QR-10-R-0012) on the Federal Business Opportunities (FBO) Web site. The language in the presolicitation notice met the intent of Recovery Act project requirements. The synopsis in the presolicitation notice clearly explained the nature of the work. USACE-Louisville contracting personnel competitively solicited offers through a request for proposal and received four offers. On March 18, 2010, USACE-Louisville contracting office personnel posted the contract award (W912QR-10-C-0032) on the FBO Web site. The contract contained the required Recovery Act clauses. USACE-Louisville contracting personnel awarded the contract as a firm-fixed-price contract to Lord Electric Company of Puerto Rico, Inc. for \$9.5 million.

Project 74649 – On December 23, 2009, USACE-Louisville contracting personnel posted the presolicitation notice (W912QR-10-R-0015) on the FBO Web site. The language in the presolicitation notice met the intent of the Recovery Act project requirements. The synopsis in the presolicitation notice clearly explained the nature of the work and informed the public that this contract was for a small business firm. USACE-Louisville contracting personnel competitively solicited offers through a request for proposal and received five offers. On April 8, 2010, the contracting office posted the contract award (W912QR-10-C-0047) on the FBO Web site, and the contract contained the required FAR clauses. USACE-Louisville contracting personnel awarded the contract as a firm-fixed price contract to Design Build SE for \$5.99 million.

REVIEW OF FORT BUCHANAN AND U.S. ARMY CORPS OF ENGINEERS-LOUISVILLE DISTRICT INTERNAL CONTROLS

Fort Buchanan and USACE-Louisville internal controls over the planning, funding, and contracting of the two Fort Buchanan Recovery Act projects reviewed were effective as they applied to the audit objectives.

AUDIT STANDARDS

We conducted this audit from April through November 2010 in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

AUDIT METHODOLOGY

We visited Fort Buchanan and USACE-Louisville to review the two selected projects. We interviewed program personnel at Fort Buchanan, and cost engineering and contracting personnel at USACE-Louisville. At both locations, we reviewed requirements, contracting, and financial documentation from January 2009 to April 2010. We used this supporting documentation to determine whether contract solicitations and awards met Office of Management and Budget and DOD Recovery Act implementation and transparency requirements.

Before selecting DOD Recovery Act projects for audit, the Quantitative Methods and Analysis Division of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. We selected most audit projects and locations using a modified Delphi technique, which allowed us to quantify the risk based on expert auditor judgment, and other quantitatively developed risk indicators. We used information collected from all projects to update and improve the risk assessment model. We selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations.

We did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by U.S. Army Corps of Engineers.

USE OF COMPUTER-PROCESSED DATA

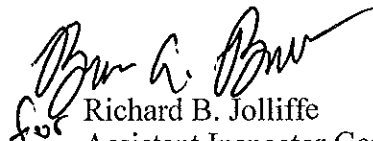
We used computer-processed data to perform this audit. Specifically, we used posted notices on the FBO Web site (<http://www.fedbizopps.gov>) in meeting our audit objectives. We tested the accuracy of the data by comparing the project data reported on the FBO Web site with documents in the contract file. Our audit focused on the reporting of contract actions on specific Army projects. From these procedures, we concluded that the DOD data were sufficiently reliable for our audit purposes.

PRIOR AUDIT COVERAGE

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by

the Recovery Act. You can access unrestricted reports at
<http://www.recovery.gov/accountability>.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201). If you desire, we will provide a formal briefing on the results.


for Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Inspector General Department of Defense

